



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1113

unused tax credit; termination; time

Purpose

Decreases the length of time before the Director of the Arizona Department of Revenue (ADOR) must terminate an unused tax credit.

Background

ADOR must report to the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) on the amount of individual and corporate income tax credits (tax credits) that were claimed in the previous fiscal year. If a tax credit is not claimed by or allowed to any taxpayer in four consecutive annual reports the Director of ADOR (Director) must: 1) terminate the recognition and servicing of a tax credit; 2) issue a public announcement of the credit termination; 3) notify the OSPB, the President of the Senate, the Speaker of the House of Representatives, the JLBC and Legislative Council; and 4) include the repeal of the terminated tax credits in technical tax correction legislation to be enacted in the next regular legislative session. If the Legislature fails to pass the legislation, ADOR must rescind the termination of the tax credit.

The Director may not terminate the recognition and servicing of a tax credit that is subject to preapproval by the Arizona Commerce Authority (ACA), unless over any period of four consecutive years: 1) ADOR has not received a preapproval notice of any applicant or project for the tax credit from the ACA; and 2) the credit is not claimed by or allowed to any taxpayer ([A.R.S. § 43-224](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires the Director to terminate the recognition and servicing of a tax credit that is unclaimed or not allowed to any taxpayer in three consecutive annual reports, rather than four consecutive annual reports.
2. Prohibits the Director from terminating the recognition and servicing of a tax credit that is subject to ACA preapproval unless over any consecutive three-year period, rather than four-year period, the outlined conditions are met.
3. Requires the technical tax correction legislation to include a saving clause to allow for the continued use of the carried forward amounts for the remainder of the carry forward period, if the credit has unused credits carried forward from prior years.
4. Specifies that unused credits carried forward from prior years are not considered claimed or allowed in the year the credit carried forward is used.
5. Becomes effective on the general effective date.